

CALIFORNIA
VICTIM COMPENSATION
&
GOVERNMENT CLAIMS
BOARD

**VICTIM
COMPENSATION
PROGRAM**

**BUDGET PAPER FOR BOARD DISCUSSION AND
ACTION**

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CALIFORNIA VICTIM COMPENSATION PROGRAM BUDGET UPDATE

INTRODUCTION

At the November 22, 2002, Board meeting, staff provided the Board with an update on the condition of the Restitution Fund and the possibility of a shortfall during the next 18 months despite significant cost containment and revenue enhancement measures undertaken in July 2002. At the November meeting, the Board directed staff to submit recommendations to balance expenditures with projected revenues through Fiscal Year (FY) 2003-2004 for consideration at the December 19, 2002, Board meeting. To allow time for sufficient public input and staff work, those budget discussions were moved to a special meeting of the Board on January 10, 2003.

BACKGROUND

Potential funding shortfalls in the Victim Compensation Program during the next 18 months can be understood fully only in the context of the Board's remarkable improvements in the delivery of service to California's crime victims during the last three years. At the end of 1999, despite sitting on a sizable reserve in the Restitution Fund, the Board faced a severe backlog of overdue claims and bills. Many of the Victim Compensation Program's automated letters to victims and providers were overly bureaucratic and rarely included staff contact information to help victims who had questions or concerns. The victim compensation application form - a crime victim's first introduction to the program - totaled 11 pages and resembled a tax form. Finally, the Board's compensation benefits had not been increased in 15 years, and the Victim Compensation Program's authorizing legislation had been amended so many times in the last 35 years that the statute was extremely cumbersome and difficult to understand.

Beginning in late 1999, the Board undertook significant changes in the way that it did business:

- 1) The Board sought significant input from crime victims, victim advocates, and providers and involved them in finding ways to improve services. Among other actions, the Board established a Victim Compensation Program Advisory Committee to formalize this regular input process. Soon, the quality of routine information and communications between the Board, crime victims, and the community that serves victims improved.
- 2) The Board completely revised its application form, condensing it to a single, double-sided page. The application was distributed statewide beginning in July 2000 and is accessible on the Board's website. The Board received the Governor's Clarity Award in 2002 for its work in simplifying the application. Previously, victims often had to fill out two applications – an emergency application and a regular application. Since then, the Board has consolidated the emergency and regular application so a victim only has to file one application.
- 3) Board staff was redirected to process and eliminate the backlog of overdue compensation claims and bills. By 2001, the backlog of overdue claims and bills was virtually eliminated.
- 4) In 2000, the Legislature enacted legislation that increased the maximum amount of compensation that a crime victim could receive from \$46,000 to \$70,000.

- 5) In 2002, the Governor signed legislation that completely streamlined the Victim Compensation Program statute based upon a thorough revision by Clark Kelso of the McGeorge School of Law.
- 6) The Board reduced the claims processing time by 27 percent and ensured that victims and providers of services received timely payments - often within one month.

RESPONSE TO SEPTEMBER 11 ATTACKS EXEMPLIFIES
OUTSTANDING SERVICE TO CRIME VICTIMS

The September 11, 2001, terrorist attacks had a significant impact on the Victim Compensation Program. In many respects, the Board's response to this national tragedy was the Board's finest hour.

- On September 12, 2001, the Board increased the number of call center staff to respond to calls to the Board's toll-free number. Staff quickly developed the means to fast track claims of the victims of the attacks and, within days, assigned a case manager to each affected family.
- In one day, the Legislature enacted and the Governor signed legislation that expanded victim benefits and provided mental health counseling for members of the California Urban Search and Rescue teams that went to New York. (Chapter 346, Statute 2002 [Senate Bill 551])
- The Board worked closely with the State Bar of California, as well as with several local bar associations, to provide victims with basic legal counseling to address the myriad of financial, taxation, immigration, housing, insurance, and compensation issues that confronted them.
- The Board brought September 11 victims and family members together for a series of meetings to help families meet with one another, interact with service providers, and receive information. These gatherings included:
 - A statewide Day of Remembrance on October 9, 2001.
 - Two meetings with Kenneth Feinberg, Special Master of the Federal Victim Compensation Program, where victims learned details about the federal program and Mr. Feinberg heard directly from victims about their concerns and special issues.
 - An information briefing in July 2002 with an attorney from the U.S. Attorney's Office of the Eastern District of Virginia to discuss the status of the prosecution against Zacarias Moussaoui and victims' participation in the terrorism trial.
 - Regular Board hosted regional support group meetings for family members, as well as urban search and rescue workers. Expert grief counselors from the Trauma Recovery Program at the University of California, San Francisco, facilitated these peer support groups.
- The Board worked with the Department of Fair Employment and Housing to assist another category of September 11 victims - victims of retaliatory hate crimes against Arab Americans and others.
- The Board provided assistance for victims and family members to attend and participate in memorial events in Sacramento, New York, Pennsylvania and Washington for the first anniversary of the attacks.

Through the Board's advocacy with the federal government, the U.S. Department of Justice provided grants to cover the costs of the above services. As of December 2002, the Victim

Compensation Program had paid out a total of \$1.7 million to 270 family members of September 11 victims and survivors of the terrorist attacks. Recently, in recognition of these comprehensive services, the U.S. Justice Department provided the Board with an additional \$2.3 million grant to continue its efforts to assist these victims and family members through December 31, 2003.

BOARD EXPERIENCES SUBSTANTIAL INCREASE IN COMPENSATION APPLICATIONS

All of the above efforts, including the extensive positive publicity received by the program in the wake of September 11, increased visibility for the compensation program and resulted in better service for California's crime victims.

Between FY 99/00 and 01/02, applications increased 50 percent, from 42,257 to 63,225. Based upon applications received during the first four months of this year, staff estimates current year applications may total 76,000, an 80 percent increase over FY 99/00. (See Attachment A)

Also between FY 99/00 and 01/02 payments increased 45 percent, from \$86 million to \$124 million. Based upon payments made during the first four months of this year, staff estimates current year payments to be \$158 million, an 85 percent increase over FY 99/00.

REVENUES HAVE REMAINED RELATIVELY CONSTANT THE LAST FOUR YEARS

The Restitution Fund is the primary source of funding for victim compensation in California. All revenue that is deposited into the Restitution Fund, including the federal funding, comes from restitution fines, diversion fees, and penalty assessments that are imposed against criminal offenders, not taxpayer dollars. Since the restitution diversion fee was added to the California Penal Code in 1995, there have been no statutory changes in state fees assessed upon offenders to increase revenues into the Restitution Fund. While victim compensation applications and payments have increased dramatically since FY 99/00, state Restitution Fund revenues increased only 8 percent, from \$102 million to \$110 million. During the first four months of this year, deposits into the Restitution Fund have decreased slightly and are projected to decline 8 percent by the end of FY 03/04 as a result of the 20 percent General Fund surcharge imposed on the county base fines during the 2001/2002 budget session. (See Attachment B)

CURRENT TRENDS POINT TO CONTINUED FISCAL PRESSURE ON THE RESTITUTION FUND

Due to increased applications, payments have risen 48 percent during the first four months of this fiscal year. However, staff estimates only a 36 percent increase in payments by June 30, 2003 due to the cost containment measures adopted at the July 2002 Board meeting. The increase in payments is likely to continue because compensation benefits, particularly mental health benefits, typically are paid out over a three-year period. Thus, increases in applications for compensation that occurred during the last three fiscal years are likely to yield continued payments on those claims, on top of additional new claims received by the Board in subsequent years.

The Restitution Fund was able to support the increase in victim compensation payments through last fiscal year by relying on a \$96.7 million reserve fund that had accumulated during prior years when the Board had a large backlog and the application rate was stable. Total expenditures during the first four months of this fiscal year have exceeded incoming revenues by \$29.6 million, which will deplete the Restitution Fund reserve. No additional revenues are available to meet the rising demand for compensation, absent legislation or other interventions.

SIZABLE FEDERAL REIMBURSEMENT HAS BEEN DELAYED SIGNIFICANTLY

One additional problem further threatens the Board's budget situation. The U.S. Congress adjourned in October 2002 without enacting a new federal budget for federal FY 2002/03. Each year, the Board is reimbursed by the federal government for a certain percentage of state payments to crime victims the previous fiscal year. The Board is expected to receive an

estimated \$44 million from the federal government this fiscal year. However, instead of receiving those funds early in 2003, the Board may not receive them until late spring or early summer, depending on when Congress acts on the federal budget.

CURRENT FISCAL SITUATION AND BOARD RESPONSES IN 2002

With the reserve exhausted and the federal grant delayed, the Victim Compensation Program will soon have insufficient resources to pay all of its obligations. Beginning in January 2003, the Victim Compensation Program will have to begin delaying some payments. By April 2003, the Board may have as much as \$38 million in unpaid bills. With the anticipated arrival of the federal grant in May or June, the Board is expected to be able to pay all bills held at that point.

However, in the following months, because of the current imbalance between revenues and expenditures, the Board will return to a negative cash flow, with no prospect of help from a reserve nor immediate help from the 2004 federal grant. Thus, absent any further Board or legislative action, expenditures are projected to exceed revenue by an estimated \$9 million by June 30, 2003. By the end of FY 03/04, the cumulative 18-month shortfall may total \$80 million without immediate intervention by the Board.

JULY 2002 BOARD ACTIONS

On July 26, 2002, the Board took the following actions to reduce expenditures:

- Adopted the Medicare fee schedule for medical expenses;
- Adopted the DentiCal fee schedule for dental expenses; and
- Adopted mental health treatment reimbursement rates of \$70 for master 's degree level therapists and \$90 for psychiatrists and psychologists.

Given the estimated 36 percent increase in payments this fiscal year, staff estimates these reductions will not be sufficient to close the gap between revenue and expenditures. The Board has not begun to see the effects of the July 2002 medical or mental health bill reductions due to the four-to-ten-month lag time between the date of service and the time the Board receives the bill. Staff does not anticipate seeing the effect of the reduced mental health and medical service rates until the 3rd and 4th quarter of this fiscal year.

Following the July 2002 meeting, staff initiated internal and external efforts to identify a mix of changes that will assist in both addressing the immediate cash flow problem and the long-term budget imbalance:

- Held five focus groups throughout the state to both inform and solicit ideas from our external stakeholders. Attendees included mental health, victim/witness, attorney representatives and other victim service providers. Additional meetings were held with the California District Attorney's Association and the Victim/Witness Coordinating Council;
- Implemented several administrative cost reduction strategies to achieve current and budget year savings, including eliminating 19 vacant positions (\$712,000 savings current and budget years), freezing 24 vacant positions at the Joint Powers county agencies (\$1.1 million savings current and budget year), implementing the "Golden Handshake," (\$1 million savings budget year), reducing contract staff, and restricting non-essential training and travel.

STAFF RECOMMENDATIONS FOR CASH FLOW AND COST CONTAINMENT

The following staff recommendations for the Board's consideration draw upon all of the ideas developed by Board staff and suggested by external stakeholders.

CASH FLOW

Board staff anticipates cash flow problems as early as January 2003, due to the continuing imbalance between payments to crime victims and service providers and deposits from offenders into the Restitution Fund. To ensure that the Board meets its contractual responsibilities and minimizes the impact on crime victims, staff recommends that payments be prioritized as follows:

1. Payroll and operating expenses;
2. Victim payments; and
3. Provider payments.

Using this priority of payments, there should be sufficient funds to issue victim payments without delay for the foreseeable future. However, provider payments could be delayed until the receipt of the federal funds described earlier.

The Board will notify providers in writing when provider payments are held. The notification will include specific information about the amount of funds being held. It is anticipated that providers will be able to use these notices to obtain lines of credit or loans from lending institutions to maintain services.

Staff recommendation: Staff recommends that the Board adopt the above priority of payments.

COST CONTAINMENT

Without significant additional expenditure cuts or revenue enhancements, the Board may experience an estimated cumulative cash shortfall of \$80 million by the end of FY 03/04. Focus groups and staff suggested numerous cost containment ideas, including the following:

Mental Health Session Limits

According to the National Association of Crime Victim Compensation Boards (NACVCB), while other states pay an average of 6 percent of their total payments for mental health services, California pays 40 percent of its total payments for mental health treatment. Additionally, California's mental health payments constitute 69.2 percent of all mental health benefits paid nationally for victim compensation programs. At the November 22, 2002, Board meeting, the Board asked staff to analyze the reason for this difference. Based upon a preliminary analysis of California and other states, the difference in the percentage of overall payments for mental health treatment appears to be based upon the following factors:

- The Board receives a substantially higher percentage of applications for child victims than other states do. The higher application rates are not the result of a larger child population per capita or a higher percentage of substantiated child abuse cases. The higher child application rate in California could be the result of the success of the outreach efforts by Board staff and other advocates, as well as the Board's partnerships with the Non-Profit Agreement providers who provide specialized treatment to child trauma victims.

- The average amount paid on mental health treatment is higher in California than in other states. This could be the result of several factors, including but not limited to, longer lengths of treatment and higher benefit limits.
- Many states limit payment for mental health treatment to family members of homicide survivors only. California provides mental health reimbursement for all crime types for family members.
- There appears to be significant differences in the implementation of Medicaid and the availability of mental health services under California's Medi-Cal program versus other states. Mental health services are delivered in the Medi-Cal program through a system – or set of local public systems – distinct from other Medi-Cal services. Today, most Medi-Cal beneficiaries using mental health care obtain services through county-administered mental health plans. This issue is currently being reviewed by the Board's Audit and Investigation Section to determine if potential cost savings might be achieved. Completion of the audit is expected in late January 2003.

Among the suggestions made by attendees of the focus groups were various methods of limiting the number of mental health sessions or total mental health benefit dollars. Absent from the suggestions was further lowering the hourly mental health rates. Although Board staff analyzed the savings from such an action, staff is not recommending this option, as feedback from the field indicates that further hourly rate reductions for mental health treatment would negatively affect victims' ability to receive adequate therapy.

In the mid 1990s the Washington State Victim Compensation Program commissioned a task force to recommend standards of mental health care for crime victims. In the course of those efforts, data on the use and the cost of mental health services was examined. The study found that most victims who sought help used counseling on a relatively short-term basis to help them through the first phase of coping. The first six sessions usually focus on acute needs. As psychological trauma and a state of crisis are a natural result of violent crime, no diagnosis or treatment plan is required until after the sixth session. The Washington study found that for children the average number of mental health sessions was 35 (median 23), and for adults 32 (median 15). For mental health paid in California in FY 01/02, the average number of sessions for children was 43 (median 32), and for adults 42 (median 29).

The Washington Victim Compensation Program set benchmarks of 30 sessions for adults and 40 for children. Beyond the 30 and 40 session limits, special authorization is required. If similar session limits were established in California, significant savings would be achieved. Establishing session limits in the 30 to 40 range would capture about half of the victims in both the adult and child groups. A provision for exceptions (i.e. "dire or exceptional") above the cap would give the Board an opportunity to examine more carefully the medical necessity of the treatment on a case-by-case basis and still allow for the possibility of additional counseling associated with more heinous crimes.

Further, limiting mental health counseling to session caps instead of dollar caps ensures that victims, whether or not they have insurance to help pay or not, receive comparable crime-related counseling. Based upon these studies, staff recommends the following:

Staff Recommendation: Staff recommends that mental health counseling benefits be limited to:

- For a child victim, up to 40 sessions;
- For an adult victim, up to 30 sessions;
- For a family member (when the victim has been killed), up to 30 sessions; and
- For a family member (all other cases), up to 15 sessions
- Further, staff recommends that the Board allow for the extension of mental health treatment in dire or exceptional cases.¹

Fiscal Impact: Current and budget year savings are projected to be \$1 million and \$18 million, respectively.

Medical Services

At the July 26, 2002 meeting, the Board adopted the Medicare Fee Schedule for all medical and medically related bills. Prior to July, the Board had used the Workers Compensation Fee Schedule for some medical bills, others were reduced by 25 percent and some were paid at 100 percent of the billed amount. The Medicare Fee Schedule is approximately 25 percent lower than the Worker's Compensation Fee Schedule and approximately 50 percent higher than the Medical fee schedule.

While adoption of the Medicare Fee Schedule in July will reduce costs, additional reductions are still necessary to achieve further current year savings. Staff determined that an additional 20 percent reduction in the Medicare Fee Schedule would result in current year savings of \$3 million and a projected budget year savings of \$9 million. The percentage can be decreased once the condition of the Restitution Fund improves.

Staff recommendation: Staff recommends that the Board adopt the Medicare Fee Schedule minus 20 percent for all medical services and direct staff to report back quarterly on the Restitution Fund condition and any recommended modifications to the percentage.

To achieve current year savings, staff further recommends that these medical rates apply to all new applications received on or after January 10, 2003. For applications filed prior to January 10, 2003, the new rates will apply to all subsequent bills received for medical treatment provided on or after January 10, 2003.

Fiscal Impact: Current and budget year savings are projected to be \$3 million and \$9 million, respectively.

¹ Emergency regulations for dire or exceptional extensions will be drafted and proposed for adoption by the Board at its meeting on January 10, 2003.

Other Cost Containment Options

Board staff proposes other cost containment options, including:

Relocation Expenses

Assembly Bill 606 (Chapter 584, Statutes of 1999) authorized the Board to provide up to \$2,000 to domestic violence victims to pay for relocation expenses. Subsequent legislation amended this code section and caused confusion about eligibility and relocation benefits.

Staff recommends the Board pursue legislation to clarify the legislative intent.

The Executive Officer chartered a Relocation Team, comprised of allied professionals (including domestic violence and sexual assault providers) to assist in reviewing current relocation policies and procedures and to make recommendations for cost containment, while recognizing the unique health and safety issues of these victims.

The work of the Relocation Team will not be completed until late January 2003. However, the following interim recommendations are being provided for the Board's consideration.

- The Board limit the \$2,000 relocation benefit to the move of a household and not to each eligible member of the household;
- The Board require a copy of a formal lease agreement or a statement from the landlord, signed under penalty of perjury;
- The Board develop a checklist for law enforcement and/or mental health providers to complete to substantiate the statutory basis for the relocation benefit; and
- Board staff verify that the victim is receiving supportive counseling services from a licensed mental health therapist, or a domestic violence or sexual assault program if the relocation is necessary for the victim's emotional well being.

Additional recommendations will be brought to the Board upon completion of the work of the relocation team.

Staff recommendation: Staff recommends that the Board adopt the above interim recommendations for relocation benefits.

Fiscal Impact: Current and budget year savings are projected to be \$300,000 and \$500,000 respectively.

Legislative Cost Containment Options

Staff recommends that the Board pursue legislation to:

- Give the Board statutory authority to reduce all reimbursements by a percentage necessary to balance projected expenditures and revenues and require providers to accept that amount as payment in full.

Fiscal impact: The dollar amount would vary from year to year but the net result is a balanced Restitution Fund.

- Limit the award to victims and family members to \$70,000 per victimization unless a victim is permanently disabled. If the victim is permanently disabled, an additional \$70,000 would be available for all family members to share for support loss.

Fiscal Impact: Based on 01/02 FY data staff estimates if expenditures were limited to \$70,000 per crime, the savings would have been approximately \$400,000. With the new computer system that will more accurately link related claims per crime, staff anticipates that the annual savings could be much higher.

- Pay attorney fees only on claims where there is an appeal, a hearing is conducted, and the attorney makes an appearance in an administrative hearing on a claim. Under current law, an attorney may receive up to 10 percent of the amount of a victim's award or \$500, whichever is less, for rendering legal services. In FY 01/02, the Board paid out approximately \$800,000 for attorney fees. Under the current process, attorneys are automatically awarded 10 percent of the paid amount, or \$500, irrespective of the level or amount of legal services provided to the victim. In many instances, attorneys are awarded 10 percent for filing an application with no other legal services rendered.

Of the 438 appeal hearings held in calendar year 2002, attorneys represented 58 victims who appealed their cases.

The federal Office for Victims of Crime (OVC) supports limiting attorney fees. In a July 2002 letter, the OVC director states, "We do not believe that victims need an attorney to apply for compensation and would not want to see limited (Victims of Crime Act) dollars used to reimburse attorneys to the detriment of reimbursing victims for out-of-pocket expenses. This is particularly true in a state like California where the application requirements and procedures have been substantially modified to make the process accessible and easy for victims to apply for compensation benefits."

Fiscal Impact: Savings are projected to be \$522,000 during the budget year based upon legislation being effective October 1, 2003. The annual savings are projected to be \$696,000 based upon the assumption that attorneys will represent victims in 13 percent of appeal hearings.

- Eliminate the annual special appropriations to the Department of Justice (Chapter 507, Statutes of 1997) and the Department of Mental Health (Chapter 93, Statutes of 2000). Both chapters specify that the appropriations are subject to the availability of funding in excess of the amount needed to pay claims pursuant to Government Code Sections 13960 and 13965.

Fiscal Impact: Savings are projected to be \$3.74 million annually.

STAFF RECOMMENDATIONS FOR REVENUE ENHANCEMENT

AN OVERVIEW OF REVENUE ENHANCEMENT EFFORTS

The Executive Officer chartered a Revenue Recovery Project Team in July 2002 comprised of internal staff and external stakeholders to identify and implement promising strategies for revenue enhancement. The team reported its revenue enhancement activities at the October 25, 2002, Board meeting.

The following summarizes the revenue enhancement efforts underway:

1. The Board is preparing written comments in support of the California Department of Corrections (CDC) regulations package to increase the percentage of inmate trust account garnishment initially to 30 percent and subsequently to the statutory limit of 50 percent. Board staff recommends the inmate trust account garnishment be immediately increased to the statutory 50 percent. The regulations package is set for public hearing on January 14, 2003.

Fiscal Impact: Increasing the percentage of inmate trust account garnishment to 30 percent the first year and 50 percent during the second year would result in an increase in revenue of \$2 million and \$9.6 million, respectively.

2. The Board negotiated an Interagency Agreement with the Franchise Tax Board to use the Court-Ordered Debt Collection Program to collect restitution obligations from offenders released from parole or probation.

Fiscal Impact: Current and budget year revenue increases are projected to be \$500,000 and \$2.5 million, respectively.

3. Support CDC on the use of the Franchise Tax Board's Tax Intercept Program on parolee collections.

Fiscal Impact: Current and budget year revenue increases are projected to be \$50,000 and \$100,000, respectively.

4. The Board has the statutory authority to collect restitution fine and order debts owed to the Restitution Fund from offenders released from probation and parole. Board staff is implementing a pilot program to collect delinquent restitution fines from 480 offenders who have been released from probation in Sutter County. The total owed to the Board from these offenders is \$48,000. If the direct collection process proves to be successful, the Board will expand these efforts statewide.
5. The Board established a protocol with the CDC for collection of restitution orders and fines from inmates participating in the Joint Venture Program. CDC's Office of Victim Services and Restitution provided the Board with a list of inmates who are participating in the Joint Venture Program. Staff reviewed the list and determined that 10 participants owe the Restitution Fund approximately \$75,000 in outstanding restitution fines and/or restitution orders. The information was submitted to CDC for collection.

6. The Board negotiated an Interagency Agreement with the State Controller's Office to conduct field audits of six county courts and collection entities to assess whether the courts have properly ordered restitution fines and orders and whether the policies and procedures established by the courts and county collection entities ensure that reimbursement for compensation paid by the Victim Compensation Program is properly collected and reimbursed to the Restitution Fund. The audits are scheduled for completion by June 30, 2003. The information gathered from these audits will be used to develop an action plan to improve the assessment and collection of restitution.
7. The Board continues to consult with its Restitution Committee, comprised of members of the judiciary, court clerks, probation, district attorneys, CDC, California Youth Authority, Office of Criminal Justice Planning, Attorney General's Office, and the Victim/Witness Coordinating Council, to assess barriers and recommend solutions for successful imposition and collection of restitution and to share best practices.
8. Revenue recovery staff is meeting with judges, court administrators, district attorneys and deputy district attorneys, probation officers, and collection entities in each county on the importance of ordering and collecting restitution fines and orders. Through these meetings staff have established contact people in the respective agencies. Staff also provides in-depth training and informational seminars on restitution issues to the judiciary, district attorneys, probation officers, and court clerks. In addition, the Board will host a restitution collection meeting for revenue recovery officers in early 2003.
9. Staff is working with the Judicial Council and the California District Attorneys Association to develop standard forms and tools to assist district attorneys and judges with the restitution process. In addition, the Secretary of State and Consumer Services Agency has indicated that she will assist the Board in these efforts.

In addition to the efforts already undertaken, the Board's Revenue Recovery Project Team is reviewing the revenue enhancement ideas that were obtained from the focus group meetings.

Legislative Options For Revenue Enhancement

The Executive Officer will identify, analyze and make recommendations on legislative revenue enhancement options to correct the long-term structural imbalance of the Restitution Fund.

Staff recommends that the Board pursue legislation to:

1. Increase the minimum restitution fines for misdemeanor from \$100 to \$250 and for felonies from \$250 to \$500. If the minimum fines were increased and counties were able to collect at the current rate of 45 percent, the Board estimates that counties could collect approximately \$112 million (\$249 million x 45 percent). Given the counties' collections experience with this population, it is questionable whether the increased fine amounts could be collected at the same rate. If the collection rate dropped to 25 percent, counties would collect approximately \$62 million, or \$17 million more than current collections.

Fiscal Impact: Projected revenue increase of \$13.1 million in the budget year and \$17 million annually thereafter.

2. Increase current reissue fee for reinstating a driver's license after the license has been suspended for DUI from \$55 to \$155 with \$100 deposited in Restitution Fund. The DMV estimates that half of all offenders now pay this fee and that if increased, roughly 40 percent, or an estimated 166,000 offenders, would pay the fee.

Fiscal Impact: Projected revenue increase of \$1.4 million in the budget year and \$6.6 million annually thereafter.

3. Clarify that diversion restitution fees, parole restitution fines and newly proposed probation revocation fines may be collected after the defendant is no longer on probation or parole.

Fiscal Impact: Unknown. Would increase revenue only to the extent that counties begin to pursue restitution collection from offenders released from probation or parole.

4. Authorize CDC to collect unpaid restitution orders or fines imposed pursuant to WIC 730.6 and no longer enforceable because the person is no longer a juvenile or on probation.

Fiscal Impact: Unknown due to dependency on number of extenuating factors, including the number of offenders with outstanding WIC 730.6 orders.

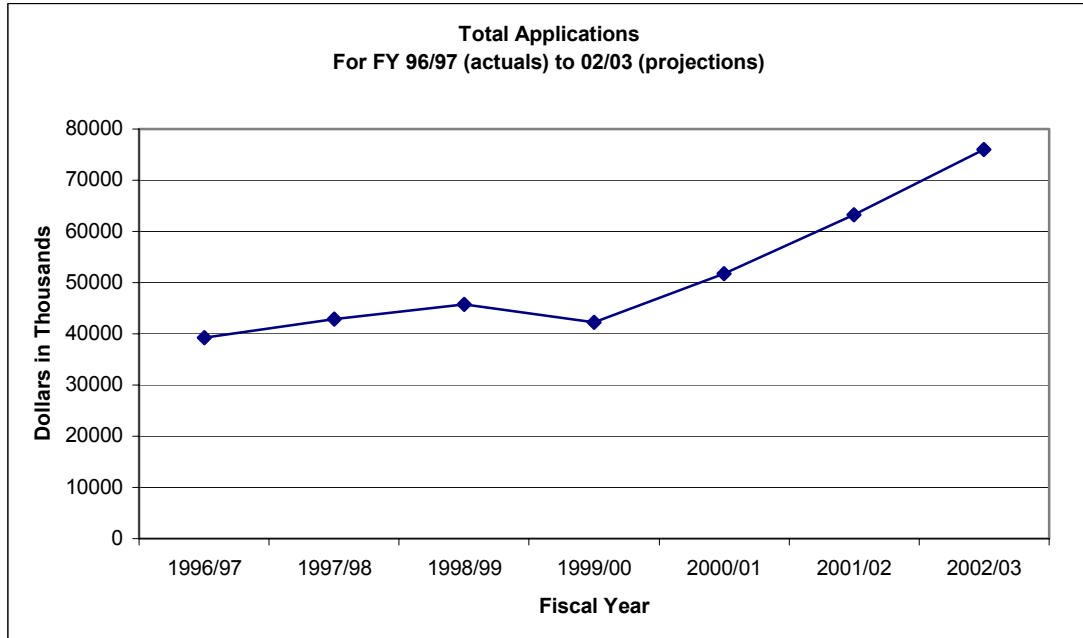
CONCLUSION

Significant improvements to the Victim Compensation Program introduced during the last three years have enabled the program to serve increasing numbers of eligible victims. This increase in victims served, without comparable increases to the Restitution Fund, create significant challenges. The recommendations set forth in this document are designed to preserve recent gains on behalf of crime victims while addressing the fiscal realities that confront the Board. The combination of aggressive cost containment measures and revenue enhancements proposed in this paper is necessary to put the Victim Compensation Program back on solid financial ground and to ensure continued service to California's crime victims and the community of providers who assist them. See Attachment C: VCP Expanded Fund Condition and Attachment D: Impact of Proposed Budget Items)

The Executive Officer will continue to monitor the status of the Restitution Fund and report her findings to the Board monthly together with any further cost containment reductions or adjustments that must be made to balance the Restitution Fund.

ATTACHMENT A: TOTAL APPLICATIONS (FY 96/97 TO 02/03)

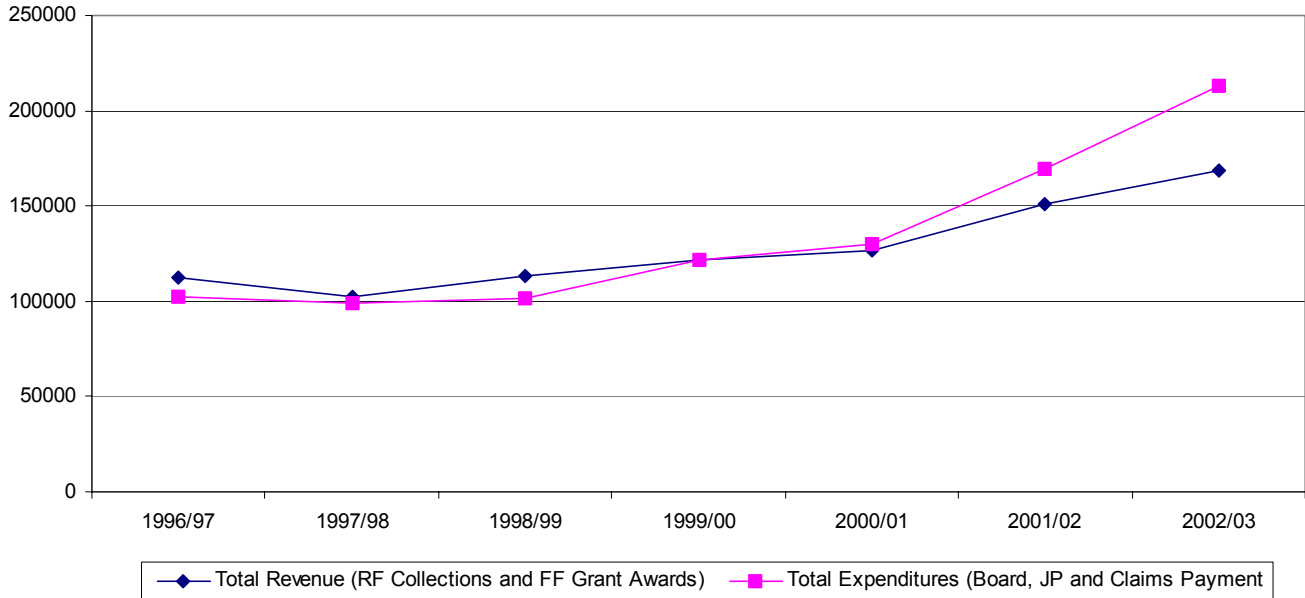
VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD



During this six-year period various methods were used for defining the number of new applications received. For purposes of this report, for FYs 96/97 to 98/99 figures were based on the definitions in effect at the time. Numbers reported in these years may have included both regular and emergency applications for the same victim and may or may not have included applications for derivative victims (family members) for whom no reimbursement was claimed. For the FYs 99/00 to 01/02 the numbers consolidate emergency and regular applications.

ATTACHMENT B: REVENUE AND EXPENDITURES (FY 96/97 TO 02/03)

Revenue and Expenditures
For FY 96/97 (actuals) to 02/03 (projections)



While state revenue is projected to decrease slightly (Page 5) total revenue is projected to increase because of an increased federal grant amount.

ATTACHMENT C: VCP EXPANDED FUND CONDITION

CALIFORNIA VICTIM COMPENSATION & GOVERNMENT CLAIMS BOARD
VICTIM COMPENSATION PROGRAM

RESTITUTION FUND		1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Beginning Reserves	46,146	66,850	77,553	79,220	47,930	1,013	480	-
	Prior Year Adjustments	7,883	9,061	5,072	(594)		-	-	-
	Beginning Cash	54,029	75,911	82,625	78,626	47,930	1,013	480	-
	Revenue								
130800	Penalties on Felony Convictions	39,055	38,011	45,940	45,986	56,819	71,273	78,336	78,336
130900	Fines/Crimes of Public Offense	7,863	8,739	8,670	13,080	1,700	903	888	888
142500	Miscellaneous Svcs to the Public	2	2	4	3	13	3	3	3
161000	Escheat of Unclaimed Warrants, etc	387	465	371	362	216	240	240	240
161400	Miscellaneous Revenue	2	3	3	14	17	12	12	12
164300	Penalty Assessment	46,731	53,266	50,101	49,049	51,365	51,769	51,772	51,772
164400	Civil/Criminal Violations	1,789	1,668	2,178	1,894	1,629	1,413	1,368	1,368
	Transfer from Corrections Trg Fund								
	Drivers' Training Fund								
	Budget Act/Section 24.10								
	Total Restitution Fund Revenue	95,829	102,154	107,267	110,387	111,759	125,613	132,619	132,619
	Expenditures								
	Administration (Compensation & Restitution Programs)	23,984	26,634	26,858	27,083	25,093	26,373	23,562	23,562
	Administration (J Ps & CRCs)	6,525	7,629	9,137	10,328	14,735	14,735	15,835	15,835
	Claims Payments (GC 13967)	50,887	65,500	69,333	92,952	106,678	79,517	88,183	127,764
	Co. Rebates (GC 13966.01f) and Good Samaritans	10	10	2,904	5,968	4,220	4,220	4,220	4,220
	Prior Year Claim Payment Carryover								
	Legislative Claims	8	-	-	-	-	-	-	-
	Local Mandates	-	2	-	-	-	-	-	-
	Dept. of Mental Health	-	-	734	722	740	-	-	-
	Dept. of Justice (Ch 507/97)	1,594	737	706	3,000	3,000	-	-	-
	Interagency Agreement with UCSF (GC 13974.5)	-	-	1,000	-	1,300	1,300	1,300	-
	State of New York Victim Compensation Program	-	-	-	1,000	-	-	-	-
	Reimb to Counties (GC 13961.6 - SB 551)	-	-	-	30	2,545	-	-	-
	Statewide General Administrative (Pro Rata)	-	-	-	-	366	-	-	-
	Total Restitution Fund Expenditures	83,008	100,512	110,672	141,083	158,677	126,145	133,100	171,381
	Restitution Fund Cash Balance	66,850	77,553	79,220	47,930	1,013	480	(0)	(38,762)
FEDERAL TRUST FUND		1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Beginning Cash				17,475	9,780	1,617	3,983	7,184
	Revenue								
	Victim Compensation Grant Awards	17,670	19,161	19,626	23,305	44,234	55,771	64,007	47,710
	September 11th Grant Award				42	158			
	Antiterrorism Grant					2350			
	Total Federal Trust Fund Revenue	17,670	19,161	19,626	40,822	56,522	57,388	67,990	54,894
	Expenditures								
	Administration	924	916	231	42	2,883	422	-	-
	Claims Payments	17,756	20,187	18,920	31,000	52,022	52,983	60,806	45,325
	Total Federal Trust Fund Expenditures	18,680	21,103	19,151	31,042	54,905	53,405	60,806	45,325
	Federal Trust Fund Cash Balance			17,475	9,780	1,617	3,983	7,184	9,569
TOTAL CURRENT, CLAIMS PAYMENTS (RF & FF)		68,633	85,687	88,253	123,952	158,700	132,500	153,978	168,100
Prior Year Claim Payment Liability (carryover)									4,989
TOTAL, CLAIMS PAYMENTS LIABILITY							132,500	153,978	173,089
TOTAL, CASH BALANCE (RF & FF)		66,850	77,553	96,695	57,710	2,629	4,464	7,184	(29,193)
Total, Revenue (RF Collections and FF Grant Awards)		113,499	121,315	126,893	151,209	168,281	183,001	200,609	187,513
Total, Expenditures		101,688	121,615	129,823	172,125	213,582	179,550	193,906	216,706
Total, Year-End Cash Balance All Funds		66,850	77,553	96,695	57,710	2,629	4,464	7,184	(29,193)
Total Admin Costs to Claims Payments		44.45%	39.99%	40.79%	30.18%	25.10%	31.02%	25.59%	23.44%
Gap Between Revenues & Expenditures		11,811	(300)	(2,930)	(20,916)	(45,301)	3,451	6,703	(29,193)
Percentage Growth in Claims Payments			24.8	3.0	40.5	28.0	(16.5)	16.2	9.2

**VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD
FY 2002-03 AND FY 2003-04 BUDGET ASSUMPTIONS:**

Revenue Enhancements:

1. Increasing the minimum restitution fines for felony and misdemeanor convictions from \$200 and \$100 to \$500 and \$250 respectively. This will increase restitution fine revenues by \$17.5 million annually. Further, it is assumed that this change will take effect as budget trailer bill language as late as October 1, 2003.
Current Year = \$0 Budget Year = \$13.1 million
2. Supporting CDC increasing the percentage withheld from the inmate trust account from 20% to 30% for the first year and to the statutory limit of 50% in the second year. This will increase restitution fine revenue collections by \$2 million in the current year and \$9.6 in the budget year. The regulations package is set for public hearing 1/14/2003.
Current Year = \$2 million Budget Year = \$9.6 million
3. Increasing the re-issue fee for driver's licenses after the license has been suspended to a citation for driving under the influence from \$55 to \$155 and depositing the additional \$100 into the Restitution Fund will increase revenues by \$5.6 million annually. Further, it is assumed that collections will not begin until the fourth quarter of fiscal year 2003-04.
Current Year = \$0 Budget Year = \$1.4 million
4. Entering into an interagency agreement with the Franchise Tax Board to participate in their Court Ordered Debt Collection Program to collect restitution obligations from offenders released from parole and/or probation is expected to increase revenues by \$2.5 million annually, with collections beginning in the fourth quarter of the current year. The collection rate is based on 5% of the total obligations identified for collection.
Current Year = \$ 500,000 Budget Year = \$2.5 million
5. Supporting CDC's participation in FTB's tax intercept program for parolees. This will increase revenues by \$100,000 annually.
Current Year = \$50,000 Budget Year = \$100,000

Cost Containment Assumptions:

1. Adopting the Medicare Fee Schedule minus 20% for all medical and medically related expenses except dental, mental health counseling, and prescription medication expenses. The reduction to the fee schedule could be eliminated when the fund condition permits.
Current Year = \$3 million Budget Year = \$9 million
2. Adopting the hourly mental health counseling reimbursement rates in effect prior to March 1, 2001 for services provided on or after September 1, 2002.
Current Year = \$3 million Budget Year = \$9 million
3. Adopting session limits for mental health counseling services
Current Year = \$1 million Budget Year = \$18 million
4. Specifying that all relocation expense benefits to be limited to \$2,000 per household.
Current Year = \$300,000 Budget Year = \$500,000

Administrative Reductions:

1. The reduction associated with the 2002 Budget Act, Control Section 31.60 is \$712,000
Current Year = -\$712,000 Budget Year = -\$712,000
2. The VCP has been approved to participate in the Early Retirement Program
Current Year = \$100,000 Budget Year = -\$1 million
3. The Joint Powers contracts currently have 24 vacant positions that have been frozen to force current and budget year savings.
Current Year = -\$1.1 million Budget Year = -\$1.1 million

Special Appropriations:

1. Eliminate the annual special appropriations to the Dept. of Justice (Chapter 507, Statutes of 1997) and the Dept. of Mental Health (Chapter 93, Statutes of 2000). Both chapters specify the appropriations are subject to the availability funding in excess of the amount needed to pay claims pursuant to Government Code Sections 13960 and 13965.
Current Year = \$0 Budget Year = -\$3.74 million

Restitution Fund revenue projected prior to these assumptions:	
Restitution Fund revenue projected prior to these assumptions:	
Current Year = \$109,209,000	Budget Year = \$98,913,000
Claims payments projected prior to these assumptions:	
Current Year = \$166 million	Budget Year = \$169 million
Administration (Compensation & Restitution Programs) expenses projected prior to these assumptions:	
Current Year = \$25,805,000	Budget Year = \$28,805,000
Administration (J Ps & CRCs) expenses projected prior to these assumptions:	
Current Year = \$15,835,000	Budget Year = \$15,835,000

ATTACHMENT D: IMPACT OF PROPOSED BUDGET ITEMS

**VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD
RESULTS OF PROPOSED BUDGET ACTIONS (in thousands)**

Description	Current Year	Budget Year
Estimated Budget Shortfall without changes	\$ (9,033)	\$ (76,951)
Enhancement/ Cost Containment		
CDC Increase Withholding	\$ 2,000	\$ 9,600
FTB Court-Ordered Debt Program	\$ 500	\$ 2,500
FTB Tax Intercept Program	\$ 50	\$ 100
Minimum Restitution Fine Increase		\$ 13,100
DMV Re-issue fee increase (DUI)		\$ 1,400
Budget Shortfall Change	\$ (6,483)	\$ (50,251)
Session Limits (mental health)	\$ 1,000	\$ 18,000
Mental Health Rates rollback	\$ 3,000	\$ 9,000
Medicare less 20% (medical)	\$ 3,000	\$ 9,000
Relocation Limit \$2,000 per household	\$ 300	\$ 500
Limit Attorney Fees		
Reduced 19 Board Positions	\$ 712	\$ 712
Early Retirement (Board employees)		\$ 1,000
Hold 24 JP positions Vacant	\$ 1,100	\$ 1,100
Eliminate DOJ Appropriation		\$ 3,000
Eliminate MH Appropriation		\$ 740
Plus: CY changes carried forward		\$ 11,662
Ending Fund Balance	\$ 2,629	\$ 4,463

